

**Deadline: 30 June 2018**

Please use this template to comment on the [Exposure Draft of ISAP 4 on IFRS 17 Insurance Contracts](#), and the proposed revisions to the [Glossary for ISAP 4](#).

The IAA invites comments on this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Comment on the questions as stated;
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the [Statement of Intent for ISAP 4](#).

<b>Identification and instructions</b>		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	<b>Organization</b>
Name of organization	Suomen Aktuaariyhdistys	
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	<b>Not confidential</b>
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> write in the yellow shaded cells</li> <li>⇒ Write in the white cells</li> <li>⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> <li>○ Please use a separate row for each paragraph, sub paragraph, or bullet.</li> <li>○ Please include the full reference in the first column such as “Introduction 3<sup>rd</sup> paragraph 2<sup>nd</sup> bullet” or “2.6.1.b.ii”</li> <li>○ Please insert/append extra rows as needed.</li> </ul> </li> </ul> <p><b>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to <a href="mailto:ISAP4.comments@actuaries.org">ISAP4.comments@actuaries.org</a></b></p>	

	<b>Specific Questions asked by the ASC</b>	<b>Response</b>
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	It is.
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	No. See the proposals for changes. Mainly it is appropriate but sufficiency could be improved.
Q3.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	Mainly yes. See the proposals for changes.
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	Yes. They are the above-mentioned sufficiency questions.

	<b>General Comments on the ISAP 4 Exposure Draft</b>
	<b>We see the model standard helpful and hope the standard will be finished in due course. However, there are quite a few issues we want to change in the exposed draft. All the elements of IFRS 17 are not included in the draft and there are some inaccuracies. There are also unnecessary regulation in the draft.</b>

<b>Comments on specific paragraphs of the ISAP 4 Exposure Draft</b>		
<b>Full paragraph reference</b>	<b>Change proposed to the paragraph (markup preferred)</b>	<b>Reason the change is needed (can be kept very brief or left blank if obvious from the change)</b>
Introduction 1 <sup>st</sup> paragraph	Delete	The paragraph is not needed. Neither ISAP 3 on IAS 19 has not a respective paragraph. Doesn't give any practical information.

Introduction 3rd paragraph	Delete	The paragraph is not needed. Neither ISAP 3 on IAS 19 has not a respective paragraph. In its expression the scope is narrow and too technical.
Introduction last paragraph	<p>Add if it is held appropriate:</p> <p>From the view of the actuarial services the standard has several main features the actuary may contribute:</p> <ul style="list-style-type: none"> <li>• Identification and classification of insurance contracts and their risks.</li> <li>• The measurement of the insurance liability as the risk-adjusted present value of the future cash flows (the fulfilment cash flows);</li> <li>• An amount representing the unearned profit in the group of contracts (the contractual service margin);</li> <li>• Recognition of the profit over the period the entity provides insurance coverage, and as the entity is released from risk;</li> <li>• Presentation of profit and loss;</li> <li>• Large number of extensive quantitative reports;</li> </ul>	<p>The respective paragraph doesn't exist in ISAP 3 but replaces the the deleted 3<sup>rd</sup> paragraph if this kind of message seems to be appropriate.</p> <p>Copies are from IFRS 17.IN6(d)</p>
2.1. add b and renumber the sequential	b. The financial market where the entity operates or to which it refers when deriving the financial inputs.	In order to be able to give advice on the financial risks, the discount rate and on the risk adjustment.
2.2.	The actuary should understand the distinction between materiality with respect to the actuarial services <u>specified in ISAP 1</u> , the preparation of IFRS financial statements <u>specified in Conceptual Framework</u> and the auditing of those financial	The addition is not highly necessary but gives the reference where to find the distinct standards. For the reference and the comparison ISAP 1 is presented in 2.2.2.

	statements.	
2.4.	<u>Identification, Combination, Separation, ,...</u>	Combination is missing. If separation is mentioned there's no reason not to mention combination.
2.4.	2.4. Identification, Separation, Combination, Recognition, Derecognition and Modification – The actuary should treat the processes <u>of the entity and its possible sub-entities which prepare separate IFRS statements</u> of;	The actuary must be aware of the possible fact that the assignment with the same principal may contain a group and its subgroups which all prepare separate IFRS financial reports. The fact may impact that certain contract is classified or eliminated differently in different groups and the fact impacts also on the diversification effect in the risk adjustment.
2.4. b. added and the sequential paragraphs are renumbered	b. Combination of insurance contracts;	See above
2.4. original c.	d. Recognition <u>of group of insurance contracts</u> and derecognition of insurance contracts	Contracts are not recognised but GIC's. But contracts are derocognised.
2.6. added and the sequential paragraphs are renumbered.	<u>2.5. The difference between insurance and non-insurance services – The actuary should give advise on the investment components of the contracts and on those cash flows which are regarded and belong to the insurance service.</u>  We have not written the needed text but expect the TF will write and complete it.	After the measured components of the contracts are specified according to 2.4. and before the measurement is performed the actuary must give advices of the non-separable investment component and which cash flows belong to the insurance services. Without this understanding calculating profit and loss is not possible.
2.6.1.a.	Delete	If not evident according to ISAP 1 this should be added to ISAP 1. Not an IFRS 17-specific issue.

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2.6.1.b.	Left for the reconsideration to the TF.	If the only point left in 2.6.1. reconsider the way to express.
2.6.1.c.	Delete	This is sufficiently describe in draft ISAP 1.2.7.6. And if not held sufficient this requirement 2.6.1.c. should be added to ISAP 1. Not IFRS 17-specific.
2.6.1.d.	Delete	If not evident according to ISAP 1 this should be added to ISAP 1. Not an IFRS 17-specific issue.
2.6.1.e	Delete	What is credibility technique?
2.6.1.f	Delete	Not necessary to mention. because it is a usual actuarial practice. Not an IFRS 17-specific issue. This is the only point where the anti-election is mentioned and for this reason there is in the glossary the (unnecessary) amendment.
2.6.3.	<del>Non-financial insurance</del> Risks –When advising the <u>principal</u> or the <u>entity</u> on assumptions to measure <del>insurance non-finacial</del> risks, the <u>actuary</u> should consider relevant factors including the following	Non-financial risk is wider concept than insurance risk. All the insurance risks belong to the non-financial risk but e.g. surrendering and lapsing risks don't but are non-financial. This 2.6.3. should also cover those risks because the actuary has competence in them.
		The subpoints b,c ja d ... interpretation is difficult
2.6.3.a.	Characteristics of the <del>non-financial insurance risk</del> ;	See above
2.6.3.b.	b. Characteristics of the <u>policyholder</u> and the way the contract was sold, <u>e.g. how the sales pitch impacts on the future policyholder behaviour</u> ;	Makes the purpose of the message clearer to understand.
2.6.3.c.	c. Past experience of incurred claims <u>and the policyholder behaviour</u> including patterns of delays in reporting and payment and the relevance to expected	See above The content of the paragraph is not totally clear. Can it be

	future experience;	clarified?
2.6.3.d.	d. Adjustments to past experience of incurred claims <u>and the policyholder behaviour</u> , including claim inflation;	See above
2.6.3.f.	g. External factors, such as secular <u>long-term</u> trends and seasonal variations,	Secular term is not generally known term among the non-English speaking actuaries. Long-term is added to give easier understanding.
2.6.11. add and renumber the sequential paragraphs	2.6.11. <b>Financial Risks</b> - related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows ... which risks are included in the discount rate and which in the cash flow adjustments ...  We ask the task force to write and complete appropriate text on this issue.	See IFRS 17.32(a)(ii). Considering only discount rate is insufficient.
2.6.12.	<u>Risk Adjustment for Non-Financial Risks</u> – When advising the <u>principal</u> or the <u>entity</u> on the <u>risk adjustment for non-financial risks separately for the gross risk and the risk mitigation by the reinsurance</u> ,	The amendment emphasizes that both risk adjustments are needed and only considering the existent situation with the existent reinsurance is not sufficient.
2.6.13.a.	a. Identification of <u>portfolios of insurance contracts and groups of insurance contracts within the portfolios of insurance contracts</u> ;	Added that GIG's are also identified.
2.6.13.b.	b. After these identifications the individual <u>insurance contracts</u> are placed into <u>groups of insurance contracts</u> ;	The original text seems first to allocate elements (contracts) to larger sets (portfolios) and then larger sets (portfolio) back to smaller ones (GICs). According to our understanding allocating is only one way process from top to down.
2.12.	We have not written any specific proposal about non-complete retrospective approaches but it seems to us that something is needed. At least the actuary should know IFRS 13 for to advice fair value approach.	

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3.1.2.		This is a list of items. It is not clear why these have been selected.
3.1.2.a.	a. The identification of insurance contracts, <u>combination of the insurance contracts</u> , the separation of components, the recognition, derecognition and modification of insurance contracts (2.4.);	If separation is mentioned why not combination?
3.1.2.c. added and renumber the sequential paragraphs	c. The determination of the risk adjustment;	The RA is an important item and its actuarial advices need thorough reporting.

**Comments on specific definitions in the Exposure Draft of the updated Glossary**

**Note that only the proposed revisions are open for comment**

<b>Defined Term</b>	<b>Change proposed to the definition (markup preferred)</b>	<b>Reason the change is needed (can be kept very brief or left blank if obvious from the change)</b>
Anti-selection	Delete	The only place where this is used is ISAP 4.2.6.1.f. which also should be deleted. See comment for that.